

MANAGEMENT DISCUSSION AND ANALYSIS

The Company was set up to produce primary Magnesium Metal. However due to dumping magnesium metal from China we had to shift our focus to downstream products. Today we largely produce magnesium powders, turnings, and also regular magnesium metal ingots.

OPPORTUNITIES, RISKS, CONCERNS THREATS & OUTLOOK:

We are focused on increasing our market share of existing products and building strong relationship with our customers, there by laying a robust foundation for sustainable growth.

The year 2019-20 looks promising with its own sets of challenges and opportunities for us. It is hoped that we will maintain revenue and profitability of the company as in the previous year.

However due to a weaker rupee there is increasing threat of raw material cost increment and steep increase in imports into the country poses a major challenge. However the Board assures its members that the company will ensure timely and appropriate preventive measures to minimize the risks.

INTERNAL CONTROL SYSTEMS & ADEQUACY:

The Company has established an appropriate system of internal control to ensure that there exists a proper control over all the transactions and that all its assets are properly safeguarded and not exposed to risk arising out of unauthorized use or disposal. The Internal Audit is conducted at all divisions for all the key areas of business. The Internal Control System is supplemented by a programme of Internal Audit to ensure that the assets are properly accounted for and the business operations are conducted in adherence to laid down policies and procedures. The Internal Audit is oriented towards review of controls and operational improvements.

FINANCIAL AND OPERATIONAL PERFORMANCE:

Highlights of financial and operational performance are given below: (Rs. In Lakhs)

Particulars	Current Year As on 31.03.2019	Previous Year As on 31.03.2018
Net Sales / Income from Operations	441.89	161.83
Other income	4.54	3.62
Expenses	277.63	241.68
Exceptional items	0	(33.30)
Net Profit (+) / (Loss) before Tax for the Period	168.80	(109.53)
Tax Expenses/Deferred Tax	31.96	1.71
Net Profit (+) / (Loss) for the Period	136.84	(107.82)

SEGMENT WISE OR PRODUCT WISE PERFORMANCE: Not Applicable

HUMAN RESOURCES, INDUSTRY DEVELOPMENT RELATIONS:

Relations with the employees remained cordial in general throughout the year. In order to optimize the contribution of the employees to the Company's business and operations, in-house training is given to the employees to induce contribution to productivity increase and development programmes for all levels of employees have been devised. Occupational Health Safety and Environmental Management are given utmost importance.

SENIOR MANAGEMENT DISCLOSURES:

The Company's senior management makes disclosures to the Board relating to all material financial and commercial transactions as when they occur.

CAUTIONARY STATEMENT:

Statement in this Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be 'forward-looking statements' within the meaning of applicable securities laws and regulations and such forward-looking statements involve risks and uncertainties. Actual results could differ materially from those expressed or implied important factors that could make a difference to the Company's operations include raw material availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the Countries in which the Company conducts business and other incidental factors. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events, or otherwise. Readers are cautioned not to place undue reliance on these forward looking statements that speaks only as of their dates.

For and on behalf of the board of Directors of
Southern Magnesium and Chemicals Limited

Sd/-

(N. Ravi Prasad)

Managing Director and CEO
(DIN:00319537)

Place : Hyderabad
Date : 14.08.2019